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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 20, 2000

COMMONWEALTH OF VIRGINIA, ex rel.,  
STATE CORPORATION COMMISSION

v.

CASE NO. PUE990436

COLUMBIA GAS OF VIRGINIA, INC.,  
Defendant.

ORDER OF SETTLEMENT

The Pipeline Safety Act, 49 U.S.C. S 60101 et seq. ("Act"), requires the Secretary of Transportation for the United States to establish minimum federal safety standards for the transportation of gas and pipeline facilities. The Secretary of Transportation is further authorized to delegate, to an appropriate state agency, the authority to prescribe safety standards and enforce compliance with such standards over gas pipeline facilities used for intrastate transportation.

The Virginia State Corporation Commission ("Commission") has been designated as the appropriate state agency for the Commonwealth of Virginia. In Case No. PUE890052, the Commission adopted Parts 191, 192, 193, and 199 of Title 49 of the Code of Federal Regulations (11C.F.R.11) to serve as minimum gas pipeline safety standards ("Safety Standards") in Virginia. The Commission is authorized to enforce the Safety Standards under § 56-5:1 of the Code of Virginia, which allows the Commission to impose fines and penalties not in excess of those specified by

§ 11(a)(1) of the Natural Gas Pipeline Safety Act of 1968, as amended. 49 U.S.C. § 60122(a)(1), formerly 49 U.S.C. App. § 1679(a)(1).

The Commission's Division of Energy Regulation ("Division"), charged with investigation of each jurisdictional company's compliance with the Safety Standards, has conducted an investigation of the Cathodic Protection Program in the Northern Region of the service territory of Columbia Gas of Virginia, Inc. (11CGV11 or "Company"), the Defendant, and has alleged that:

(1) Columbia Gas of Virginia, Inc., is a public service corporation as that term is defined in § 56-1 of the Code of Virginia, and, specifically, is a natural gas company within the meaning of § 56-5.1 of the Code of Virginia; and

(2) The Company violated the Commission's Safety Standards by the following conduct:

a) Failure to have a qualified person in charge of the Company's Cathodic Protection Program, in accordance with 49 C.F.R. § 192.453;

b) Failure on several occasions in the Northern Region to re-evaluate pipelines within three years after initial testing, in accordance with 49 C.F.R. 192.465(e);

c) Failure on several occasions in the Northern Region to monitor interference bonds six times per year, in accordance with 49 C.F.R. § 192.465(c);

d) Failure on several occasions in the Northern Region to monitor interference

bonds within 2 1/2 month intervals, in accordance with 49 C.F.R. § 192.465(c);

e) Failure on several occasions to keep Form C, 447-4, "Blanket Work Order Completion Report, Sacrificial Anodes" from 1993-1998 as required by Company Procedure 653-5, Section 9, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

f) Failure on several occasions to use and maintain Form C, 2313, "Corrosion Control Report-Category U and N,11 for each area in the Northern Region as required by Company Procedure 653-5, Section 10, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

g) Failure on several occasions to use and maintain Form C, 1282-3, "Rectifier Power Bill Summary," as required by Company Procedure 653-5, Section 4, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

h) Failure on several occasions to use and maintain Form C, 1282-2, "Rectifier Inspection Check Sheet," as required by Company Procedure 653-5, Section 4, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

i) Failure on several occasions in the Northern Region to monitor cathodic protection rectifiers six times per year, in accordance with 49 C.F.R. § 192.465(b);

j) Failure on several occasions in the Northern Region to monitor rectifiers within 2 1/2 month intervals, in accordance with 49 C.F.R. § 192.465(b);

k) Failure on several occasions to use and maintain Form C, 1282-7, "Pipe Footage Summary Sheet," as required by Company Procedure 653-5, Section 8,

effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

l) Failure on numerous occasions to comply with Company Policy and Procedure 656-1, "Pipe Exposures," and detail the condition of the pipe on Form C, 1282-8, "Plant Order," effective date March 12, 1990, in accordance with 49 C.F.R. § 192.605 (b) (1) ;

m) Failure on numerous occasions to keep cathodic protection records for the life of the gas main, in accordance with 49 C.F.R. § 192.491;

n) Failure on numerous occasions in the Northern Region to follow Company Policy and Procedure 653-3, "Control Programs for Areas of Active Corrosion," effective date January 16, 1989, by failing to document corrosion leaks properly and to update base maps, in accordance with 49 C.F.R. § 192.605 (b) (2) ;

o) Failure on numerous occasions to document the cathodic protection readings, in accordance with 49 C.F.R. § 192.491(c);

p) Failure on numerous occasions in the Northern Region to comply with Company Policy and Procedure 656-1, "Pipe Exposures," which requires that when any pipe is exposed for reasons other than leakage, a pipe-to-soil potential reading must be taken and an anode installed if the reading is less than -0.850 volts, in accordance with 49 C.F.R. § 192.605(b)(2);

q) Failure on numerous occasions in the Northern Region to take prompt remedial action to correct deficiencies, in accordance with 49 C.F.R. § 192.465(d);

r) Failure on numerous occasions to use and maintain Form C, 1282-13, "Activities," in the Northern Region as required by Company Procedure 653-5,

Section 9, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

s) Failure on numerous occasions to use and maintain Form C, 2813, "Coated Steel-Cathodically Protected," in the Northern Region as required by Company Procedure 653-5, Section 9, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

t) Failure on numerous occasions to use and maintain Form C, 2812, "Bare Steel Cathodically Protected," in the Northern Region as required by Company Procedure 653-5, Section 9, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

u) Failure on numerous occasions in the Northern Region to have adequate numbers of cathodic protection test stations, in accordance with 49 C.F.R. § 192.469;

v) Failure on numerous occasions to use and maintain Form C, 1282-4, "Test Point Sheet," for each test station as required by Company Procedure 653-5, Section 7, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a);

w) Failure on numerous occasions to use and maintain Form C, 1282-4, "Test Point Sheet," to record cathodic protection test readings as required by Company Procedure 653-5, Section 7, effective date November 11, 1987, in accordance with 49 C.F.R. § 192.605(a); and

x) Failure on numerous occasions in the Northern Region to monitor external corrosion, in accordance with 49 C.F.R. § 192.465(a).

The Company neither admits nor denies these allegations, but admits the Commission's jurisdiction and authority to enter

this Order. As an offer to settle all matters arising from the allegations made against it, CGV represents and undertakes that it will complete the actions and pay an amount as outlined below:

(1) The Company will pay a civil penalty to the Commonwealth of Virginia in the sum of \$50,000 contemporaneously with the entry of this Order. The payment will be made by check, payable to the Treasurer of Virginia, and directed to the attention of the Director of the Division of Energy Regulation, and shall not be recovered in the Company's rates as part of its cost of service. The amount shall be booked in Account No. 426.3 of the Uniform System of Accounts. The Company shall verify this booking requirement by submitting a copy of the trial balance showing this entry to the Director of the Division of Public Utility Accounting within 30 days of the date of this Order;

(2) The Company will take the following actions pursuant to the following schedule:

a) On or before May 1, 2000, CGV will tender to the Director of the Division of Energy Regulation an affidavit signed by an appropriate corporate official certifying that the Company has corrected all probable violations noted in Staff Report No. 144.

b) On or before June 1, 2000, CGV will tender to the Director of the Division of Energy Regulation an affidavit signed by an appropriate corporate official certifying

that the Company has retained an outside consultant to perform an independent audit of the management, policies and procedures, operation, maintenance, and facilities of the Company's cathodic protection corrosion control program. Said audit shall include (i) an assessment of the effectiveness of the Company's corrosion control program organizational structure, (ii) an assessment of CGV's corrosion control field practices including a statistically-significant sampling of CGV's facilities to ensure conformance with normal industry standards and compliance with Part 192 of 49 C.F.R., and (iii) an assessment of CGV's corrosion control policies and procedures to ensure compliance with 49 C.F.R., Part 192. The consultant shall work at the direction of the Commission Staff and the Company and shall complete the review and audit ordered herein within three months of the date of execution of the contract. All consultant's documents, reports, and records shall be provided simultaneously to the Director of the Division of Energy Regulation and to the Company. To the extent the consultant determines that CGV's corrosion control program, including the management of said program, fails to meet industry standards or is not in compliance with Part 192 of 49 C.F.R., the Company will develop a work plan, in consultation with the Staff, to bring the program to normal industry standards and into compliance with Part 192 of 49 C.F.R. within 12 months of the date of the final consultant's report. Upon receipt of the consultant's final report, the Company will tender to the Director of the Division of Energy Regulations a copy of the actual invoice presented to the Company for the consultant's services.

c) On or before October 1, 2001, CGV will tender to the Director of the Division of Energy Regulation a notarized affidavit signed by an appropriate corporate official certifying that the Company has corrected

any deficiencies noted in the consultant's report. Upon a showing of good cause, the Commission may enlarge the period in which such remediative measures must be completed by CGV.

d) On or before September 1, 2001, CGV shall remediate, through replacement or other appropriate means, approximately 5,233 feet of mains of various sizes, which have become exposed due to weather or other unplanned conditions. Such mains are located in the following operating areas: Gainesville (286 feet), Fredericksburg (222 feet), Chester (300 feet), and Lynchburg (4,425 feet). During the three year period following the entry of this order, CGV shall remediate any other main exposed due to weather or other unplanned condition, within 12 months of the discovery of the exposure.

e) Not later than May 1, 2000, CGV shall initiate an investigation, location, recordation, and acquisition of all Customer Owned Service Lines ("COSLs") installed prior to January 1, 1984, in its Gainesville, Staunton, and Lexington operating areas. These COSLs were installed by or at the direction of customers of CGV, at the customer's expense, and are located entirely on the customer's property. The Company shall complete the program for 5000 COSLs by November 1, 2000, and another 5000 by May 1, 2001. Thereafter, CGV shall complete the aforementioned program on at least 10,000 COSLs by May 1, 2002, and on the remaining COSLs by May 1, 2003.

f) Beginning October 1, 2000, and each six months thereafter, CGV shall report to the Director of the Division of Energy Regulation on the actions it has taken, and the expenditures it has made, to comply with the requirements of paragraphs (d) and (e), above. Evidence of compliance with the requirements of paragraph (b) above shall be



as required by the Director of the Division of Energy Regulation.

g) The Company shall not make an application for base rate relief prior to May 1, 2001.

NOW THE COMMISSION, being fully advised in the premises and finding sufficient basis for the entry of this Order, and in reliance upon Defendant's representations and undertakings set forth above, is of the opinion and finds that CGV has made a good faith effort to cooperate with the Staff during the investigation of this matter and has agreed to initiate programs and actions in furtherance of public safety, as set forth above. Therefore, the Commission finds that the offer of compromise and settlement should be accepted. The failure of CGV to comply with the undertakings ordered below may result in the initiation of a Rule to Show Cause proceeding against the Company. Such proceeding may include any action necessary to effect immediate completion of the programs and activities described above. Accordingly,

IT IS ORDERED THAT:

(1) Pursuant to the authority granted the Commission by § 12.1-15 of the Code of Virginia, the offer of compromise and settlement made by CGV be, and hereby is, accepted.

(2) Pursuant to § 56-5.1 of the Code of Virginia, CGV be, and hereby is, fined the civil amount of \$50,000.

(3) The sum of \$50,000 tendered contemporaneously with the entry of this Order is accepted.

(4) The Company record the fine on its books of account as directed herein.

(5) The Company timely commence, maintain, and complete the programs and undertakings as set forth on pages 6-8 of this Order.

(6) The Company submit the reports and affidavits to the persons, and on the dates and schedules, set forth in the undertakings on pages 6-8 of this Order.

(7) The Commission retains jurisdiction over this matter for all purposes, and this matter is continued for the further orders of the Commission.

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STATE CORPORATION COMMISSION

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COLUMBIA GAS OF VIRGINIA, INC.,  
Defendant.

ADMISSION AND CONSENT

The Defendant, Columbia Gas of Virginia, Inc., admits the jurisdiction of this Commission as to the party and subject matter hereof and, without admitting or denying the allegations made herein by the Division of Energy Regulation, hereby consents to the substance and entry of the foregoing order of Settlement.

The Defendant further states that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or by any member, officer, agent or representative thereof in consideration of this Admission and Consent.

Date: \_\_\_\_\_

Seen and approved: \_\_\_\_\_ Columbia Gas of Virginia, Inc

\_\_\_\_\_  
Counsel for Columbia Gas of Virginia, Inc. Title: \_\_\_\_\_